

**Supplemental Reporting Document
Table of Contents
April 2006 Investment Committee Meeting
(February 2006 Reporting Period)**

Investment Transactions

Public Employees Retirement Fund

Internal Programs

Real Estate Equity Transactions

AIM Program Transactions

AIM Program Items Completed Under Delegation of Authority

Risk Managed Absolute Return Strategies Program Items Completed

Under Delegation of Authority



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April 17, 2006

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Investment Transactions
- II. PROGRAM:** Public Employees' Retirement Fund
- III. RECOMMENDATION:** Consent

The following investment transaction reports relating to the Public Employees' Retirement Fund (PERF) have been completed by staff for the Investment Committee's review. The transaction reports were completed for the months of January 2006 and February 2006.

Public Employees' Retirement Fund

- Fixed Income Summary and Transactions
 - Internal Domestic
 - External International and High Yield
 - Member Home Loan Program
 - High Yield Performance
- Equity Summary and Transactions
 - Internal Domestic
 - Corporate Actions
 - External Domestic
 - External International
- Internal Programs
 - Real Estate Equity Transactions
 - AIM Program Transactions
 - AIM Program Items Completed Under Delegation of Authority
 - Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority

Greg Hood
Division Chief

Anne Stausboll
Interim Chief Investment Officer

CURRENT STATUS OF ALL COMPLETED CALPERS REAL ESTATE EQUITY TRANSACTIONS FOR JANUARY 2006

ADVISOR	PROPERTY TYPE	PROPERTY NAME	CITY	STATE	MOST RECENT APPRAISED VALUE *	ACQUISITION DATE **	DISPOSITION DATE **	HISTORIC COST *	CALPERS EQUITY SHARE OF TRANSACTION AMOUNT	ESTIMATED AFTER FEE IRR *	STATUS/ COMMENTS
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DISPOSITIONS

CalEast/LaSalle	Industrial	Chicago Land Holdings - p/s	Bolingbrook	IL	N/A	07/01/01	01/04/06	N/A	210,385	N/A	Disposition
Blackrock Realty	Apartment	Regency at Skyport condominium - p/s	San Jose	CA	N/A	10/26/01	01/06/06	N/A	1,071,413	N/A	Disposition
Blackrock Realty	Apartment	Regency at Skyport condominium - p/s	San Jose	CA	N/A	10/26/01	01/13/06	N/A	3,687,075	N/A	Disposition
Blackrock Realty	Apartment	Regency at Skyport condominium - p/s	San Jose	CA	N/A	10/26/01	01/20/06	N/A	1,810,654	N/A	Disposition
IHP Fund IV	CURE	Westport Storage	Various	CA	N/A	07/01/03	01/31/06	6,852,301	7,644,749	22.8%	Disposition
IHP Fund IV	CURE	Braddock Mini-warehouse	Los Angeles	CA	N/A	12/21/01	01/31/06	896,790	1,642,000	18.2%	Disposition

Total : - 7,749,091 16,066,276

ACQUISITIONS ***

Buchanan Street	CURE	Hughes Airport Center II	Las Vegas	NV	N/A	01/06/06	N/A	N/A	28,872,960	15.2%	Acquisition
Kennedy Associates	CURE	Hyatt Regency Islandia	San Diego	CA	N/A	01/09/06	N/A	N/A	24,873,807	16.4%	Acquisition
CalEast/LaSalle	Industrial	Aeroterm - Cargex Air Cargo	Portland	ME	N/A	01/18/06	N/A	N/A	1,745,756	10.1%	Acquisition
CalEast/LaSalle	Industrial	NATM - Cargex Truck Terminal	National	USA	N/A	01/18/06	N/A	N/A	31,834,432	10.3%	Acquisition
Buchanan Street	CURE	Shadow Creek Town Center	Pearland	TX	N/A	01/30/06	N/A	N/A	17,076,480	22.9%	Acquisition
CalSmart/Rreef	CURE	Rialto Industrial Center	Rialto	CA	N/A	01/31/06	N/A	N/A	964,758	13.1%	Acquisition

Total : 105,368,193

Footnotes

- * The most recent appraised values and historic cost values represent CalPERS' share only.
- * Based upon data provided by partners.
- ** Based on funding settlement date.
- *** See brief descriptions - As attached.

NEW ACQUISITION SUMMARY

Advisor Name: Buchanan Urban Investors II, LLC

Property Name: Hughes Airport Center II

City, State: Las Vegas, Nevada

Ownership: 85% of joint venture equity

Acquisition Date: January 6, 2006

Total Project Size: 65.8 acres

Net Rentable Square Feet: 892,322 sf

Project Purchase Price (CalPERS' Equity)*: \$28,872,960

Leverage Portion of Purchase*: JV Equity Investment

Property Highlights/Investment Summary:

- Acquisition of eighteen (18) concrete tilt-up, office/flex/warehouse buildings totaling 892,322 square feet, comprising 65.8 acres of land area, and situated within the Hughes Airport Center, a 420-acre, 3.3 million square foot institutional grade, master-planned business park located at the center of the Las Vegas.
- The Properties are located in the Airport Submarket adjacent to the McCarran International Airport in the heart of Las Vegas. It offers excellent access to the regional highway system as well as close proximity to the Las Vegas Strip. The Airport Submarket has virtually no land available for industrial development, and only a few parcels available for office development.
- The Properties are 91% occupied and contain 45 leases. The Properties are a combination of office and industrial uses.
- Short-Term Hold: Sell 4 properties along with the land parcel within 24 months. Three of the 4 properties are single-tenant buildings that have either short-term leasing challenges or long-term leases in place and can be sold early for a profit. Total expected net profit for the Short Term Hold portfolio, including the land, is estimated at \$4.7MM.
- Medium-Term Hold: The remaining 14 properties will be held for 5 years as leases roll and the rents are marked-to-market. The Medium Term Hold properties are projected to be sold at a 7.5% cap rate (\$179 PSF) which is still well below today's replacement cost.

Projected After Fee Internal Rate of Return: 15.2%

*CalPERS' Share Only

NEW ACQUISITION SUMMARY

Advisor Name: Kennedy Associates Real Estate Counsel, Inc.

Property Name: Hyatt Regency Islandia

City, State: San Diego, California

Ownership: A leveraged leasehold acquisition by KAREC California Development Program LLC, comprised of CalPERS and Kennedy Associates, that owns 100% of the Ownership LLC and leases to the Operating LLC.
Capital commitment: CalPERS 96%; Kennedy 4%

Acquisition Date: January 9, 2006

Total Project Size: 18.8 acres; 421-key full service hotel

Net Rentable Square Feet: 381,887 sf

Project Purchase Price*: \$24,873,807

Leverage Portion of Purchase*: \$37,920,000

Property Highlights/Investment Summary:

The Hyatt Regency Islandia site is 18.84 acres, including 9.4 acres of water. The Property consists of a 421-room hotel and an adjacent 186-slip marina; the 10 buildings were complete in 1999. Parking consists of 554 spaces.

Projected After Fee Internal Rate of Return: 16.4% (4-year after fee leveraged)

*CalPERS' Share Only

NEW ACQUISITION SUMMARY

Advisor Name: LaSalle Investment Management
Property Name: Aeroterm – Cargex Air Cargo Portfolio
City, State: Portland, ME
Ownership: Cargo Acquisition Company, LLC
Acquisition Date: January 18, 2006
Total Project Size: 11.37 acres
Net Rentable Area sf: 111,658 rentable square feet
Project Purchase Price*: \$1,745,756

Property Highlights/Investment Summary:

Purchase consists of one air cargo building located in Portland, ME. The following is a brief description of the airport:

- Portland International Jetport in Maine moved 16,811 tons of cargo in 2004. There are two cargo carriers at the airport, DHL and FedEx. From 1995-2004, cargo volumes grew at a compound annual growth rate of 7.6%.

The Portland building consists of a free standing 19,200 square foot air cargo terminal. The terminal was built in 1995 and has on-site parking for 52 vehicles. In addition, the terminal has 7 dock high doors and 4 drive-in-doors.

The Portland terminal is 100% leased to FedEx Corporation until January 31, 2015.

Projected After Fee Internal Rate of Return: 6-Year Leveraged IRR of 10.1%

*CalPERS' Share Only

NEW ACQUISITION SUMMARY

Advisor Name: LaSalle Investment Management
Property Name: NATM – Cargex Truck Terminal Portfolio
City, State: National
Ownership: CalEast NAT, LLC
Acquisition Date: January 18, 2006
Total Project Size: 119.11 acres
Net Rentable Area sf: 1,011,003 rentable square feet
Project Purchase Price*: \$31,834,432

Property Highlights/Investment Summary:

The eleven buildings are predominantly located in the Northeast with significant concentrations in metro New York City, Alexandria, Syracuse and Rochester. The portfolio also includes a Midwest component with a building in Traverse City, MI.

On average, the buildings are 100,000 square feet and include a small office component, typically in the range of 8%-10%. In addition, the buildings have loading via dock-high and drive-in doors, ample land for future expansion and offices for retail customer service.

The portfolio was assembled under a build-to-suit program between Cargex, a real estate company specializing in the development, construction and management of sort/distribution facilities and the FedEx Corporation.

The portfolio is 100% leased to FedEx Express.

As stated above, the portfolio is 100% leased to FedEx (S&P: BBB) and has a weighted average lease term of 6 years. FedEx Express is one of the four major business units within the FedEx Corporation and uses its global air and ground network to deliver time sensitive shipments. In FY 2005 FedEx Express had net sales of \$19.5 billion. This represented approximately 66% of the parent company's total sales in 2005.

Projected After Fee Internal Rate of Return: 6-Year Leveraged IRR of 10.3%

*CalPERS' Share Only

NEW ACQUISITION SUMMARY

Advisor Name: Buchanan Urban Investors II, LLC

Property Name: Shadow Creek Town Center

City, State: Pearland, Texas

Ownership: 90% of joint venture equity

Acquisition Date: January 30, 2006

Total Project Size: 88.5 acres

Net Rentable Square Feet: 572,000 sf

Project Purchase Price (CalPERS Equity)*: \$17,076,480

Leverage Portion of Purchase*: JV Equity Investment

Property Highlights/Investment Summary:

- The Property is a to-be-developed 88.5-acre site that will encompass 572,000 sf of retail space constructed in two phases consisting of a lifestyle center (Phase I) and a town center (Phase II).
- The site has approximately 2,000 feet of freeway frontage. The Property is located south of Houston in Brazoria County.
- Shadow Creek Ranch, a master-planned residential community that will contain 6,000 homes, adjoins the subject property.
- Acquire the 88.5-acre site for \$27.3 million or approximately \$7.06 per square foot and break ground immediately after closing.
- Develop Phase I that will consist of a 480,000 sf lifestyle center and 12 pad sites. Construction will commence in April 2006 and completion of the building shells is expected to be completed by January 2007.
- Lease up of Phase I will begin immediately following the end of construction and will take 9 months to fully absorb.
- Phase II construction completion is scheduled for January 2007 with projected leasing set to be completed by May 2008. This 92,000 sf open-air, pedestrian-oriented town center will incorporate high quality retailers. This strategy will differentiate the development from the competition and provide a retail niche not currently served in the Pearland market.
- Upon completion in month 36, the Operator will begin to market the Property for sale.

Projected After Fee Internal Rate of Return: 22.9%

*CalPERS' Share Only

NEW ACQUISITION SUMMARY

Advisor Name: RREEF/CalSmart LLC, Series C

Property Name: Rialto Industrial Center

City, State: Rialto, CA

Ownership: 100.00% CalSmart LLC

Acquisition Date: January 31, 2006

Total Project Size: 10.18 Acres

Net rentable area sf: 192,896 SF

Project Purchase Price*: \$964,758

Property Highlights/Investment Summary:

- Rialto Industrial Center ("RIC") will consist of one Class A industrial building totaling 192,896 square feet on 10.18 acres of land. RIC is located one mile closer to I-10 and one mile east of Rialto Commerce Center Phases I- IV, which CalSmart acquired between July 2004 and February 2005.
- RIC is located in the City of Rialto in the Inland Empire East industrial submarket of the Greater Los Angeles metropolitan area. The Inland Empire East submarket includes the cities of Redlands, Rialto, and San Bernardino, plus areas to the east of San Bernardino and north through Victorville. The availability rate for the Inland Empire was 4.7 percent as of the third quarter 2005. This availability rate includes buildings under construction. This is down 190 basis points since year-end 2004. During 2004, net absorption in the Inland Empire was 20.2 million square feet. Net absorption continues to remain strong with 16.8 million square feet of net absorption in the first three quarters of 2005. Industrial construction in 2005 is expected to be 19.1 million square feet, relatively in line with the projected net absorption of 18 million square feet for 2005.
- The project is scheduled to close on January 31, 2006 with working drawings in place. Grading is scheduled to commence February 2006. Seven months of construction have been budgeted based on the size of the project with completion expected in September 2006 followed by 12 months of lease-up, ending September 2007.

Projected After Fee Internal Rate of Return: 13.05%

*CalPERS' Share Only

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - February 2006

Partnerships	Date	Transaction	Amount
Aberdare Ventures III	2.10.06	Capital call	\$1,143,750.00
Advent Latin American Partners III	2.13.06	Capital call	\$2,000,000.00
Alta BioPharma Partners II	2.13.06	Capital call	\$3,250,000.00
Alta California Partners II - New Pool	2.15.06	Capital call	\$750,000.00
Alta Communications Partners VII	2.14.06	Capital call	\$1,500,000.00
Apollo Investment Fund V	2.9.06	Capital call	\$51,510,852.00
Ares Corporate Opportunities Fund II	2.13.06	Capital call	\$1,054,794.52
Audax Private Equity Fund II	2.2.06	Capital call	\$4,142,226.00
	2.27.06	Capital call	\$1,251,428.00
Banc of America	2.17.06	Capital call	\$914,910.43
Blackstone Communications Partners	2.10.06	Capital call	\$6,479,406.00
Blackstone Capital Partners IV	2.17.06	Capital call	\$10,679,427.00
Blackstone Capital Partners IV - Omnibus	2.13.06	Capital call	\$7,358,519.00
CalPERS/PCG Corporate Partners	2.13.06	Capital call	\$35,000,000.00
Candover 2005 Fund	2.3.06	Capital call	\$2,299,354.00
Carlyle Partners IV	2.21.06	Capital call	\$14,074,741.00
California Emerging Ventures	2.7.06	Capital call	\$5,240,550.00
	2.13.06	Capital call	\$680,285.00
California Emerging Ventures II	2.1.06	Capital call	\$1,863,560.00
	2.9.06	Capital call	\$3,155,620.00
	2.14.06	Capital call	\$2,290,600.00
	2.21.06	Capital call	\$1,374,408.00
	2.27.06	Capital call	\$3,571,284.00
California Emerging Ventures III	2.1.06	Capital call	\$297,100.00
	2.6.06	Capital call	\$1,146,600.00
	2.10.06	Capital call	\$1,366,800.00
	2.21.06	Capital call	\$1,350,550.00
	2.24.06	Capital call	\$495,100.00
Clearstone Venture Partners Fund III	2.24.06	Capital call	\$1,500,000.00

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - February 2006

Partnerships	Date	Transaction	Amount
CVC Asia Pacific II	2.1.06	Capital call	\$3,314,371.96
CVC European Equity Partners	2.24.06	Capital call	\$73,491,875.00
Falconhead capital Partners II	2.28.06	Capital call	\$47,049.00
First Reserve Fund X	2.10.06	Capital call	\$1,080,786.00
Flaship Ventures 2004	2.16.06	Capital call	\$1,250,000.00
Gemini Israel IV	2.17.06	Capital call	\$1,000,000.00
ITU Ventures III	2.10.06	Capital call	\$1,190,000.00
KKR European Fund II	2.22.06	Capital call	\$4,579,971.00
KKR Millennium Fund	2.10.06	Capital call	\$19,343,000.00
	2.22.06	Capital call	\$604,000.00
	2.28.06	Capital call	\$237,147.00
Kohlberg Investors IV	2.9.06	Capital call	\$1,996,375.00
Leeds Weld IV	2.24.06	Capital call	\$375,797.76
Lexington Capital Partners II	2.10.06	Capital call	\$945,000.00
Lexington Capital Partners III	2.10.06	Capital call	\$761,538.00
Lexington Capital Partners V	2.9.06	Capital call	\$881,994.00
Lightspeed Venture Partners VII	2.27.06	Capital call	\$916,857.27
Lime Rock Partners III	2.24.06	Capital call	\$362,530.00
Madison Dearborn Capital Partners IV	2.16.06	Capital call	\$11,892,963.00
Newbridge Asia IV	2.24.06	Capital call	\$5,351,553.00
NGEN II	2.8.06	Capital call	\$75,000.00
OCM Opportunities Fund VI	2.13.06	Capital call	\$2,500,000.00
Paladin Homeland Security Fund	2.2.06	Capital call	\$376,086.00
Palladium Equity Partners III	2.10.06	Capital call	\$1,203,644.35
Permira Europe III	2.16.06	Capital call	\$5,956,100.00
Pharos Capital Partners II	2.23.06	Capital call	\$750,000.00
Providence Equity Fund V Offshore	2.1.06	Capital call	\$7,631,826.00
Ripplewood Partners II	2.6.06	Capital call	\$5,974,105.00
RockPort Capital Partners II	2.7.06	Capital call	\$412,394.57
Stonington Capital Appreciation Fund	2.1.06	Capital call	\$146,184.00

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - February 2006

Partnerships	Date	Transaction	Amount
Thomas H. Lee Fund V	2.14.06	Capital call	\$4,269,059.00
	2.22.06	Capital call	\$12,205,809.00
United States Power Fund II	2.14.06	Capital call	\$10,207,820.00
WLR Recovery Fund II	2.7.06	Capital call	\$2,598,753.00
WLR Recovery Fund III	2.7.06	Capital call	\$27,789,474.00
Yucaipa American Alliance Fund I	2.22.06	Capital call	\$4,699,583.00
Yucaipa American Special Situations Fund I	2.10.06	Capital call	\$951,022.00
Yucaipa Corporate Initiatives Fund	2.16.06	Capital call	\$14,978,355.00
Yucaipa Fund I	2.9.06	Capital call	\$8,976,914.00
TOTAL CAPITAL CALLS			\$409,066,801.86
TOTAL DISTRIBUTIONS			\$403,905,161.32

INTERNAL PROGRAMS		
Alternative Investment Management (AIM) Program		
Summary of Investments Completed Under Delegated Authority		
Item	Name of Investment	Commitment
Attachment 1	ArcLight Energy Partners Fund III, LP	\$200 million
Attachment 2	Aisling Capital II, LP	\$80 million
Attachment 3	Francisco Partners II, LP	\$175 million
Attachment 4	KKR European Fund II, LP	€150 million
Attachment 5	TPG Biotechnology Partners II, LP	\$70 million
Attachment 6	TowerBrook Investors II, LP	\$200 million

Correction: The AIM Program committed \$25 million to Pharos Capital Partners II, LP not \$50 million as reported in the February 2006 Investment Committee.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

ArcLight Energy Partners Fund III, LP

Action:

Commit \$200 million to ArcLight Energy Partners Fund III, LP (the “Fund”).

Background:

ArcLight Energy Partners (“Arclight” or the “Firm”), an existing AIM partner, is raising its third institutional energy related private equity fund. Formed in 2001, ArcLight has more than \$2.5 billion under management. ArcLight focuses on investments in companies within the energy industry with hard assets that produce high current income in addition to capital appreciation. In total, ArcLight funds are managed by 22 investment professionals. ArcLight is headquartered in Boston, and has offices in Boston and California.

The Fund has closed on \$1.6 billion of total commitments as of February, 2006. They are targeting a \$2.1 billion total fund size.

Key Principals:

- **Dan Revers, Co-Founder/Managing Partner.** Before co-founding and spending the last five years managing ArcLight, Dan was Managing Director of Corporate Finance Group at John Hancock Financial Services and held various positions at Wheelabrator Technologies. Dan received his M.B.A. from Dartmouth College.
- **Robb Turner, Senior Partner.** Before co-founding ArcLight, Robb founded and built Berenson Minella & Company and held senior positions at Smith Barney. Rob received his M.B.A. from Harvard Business School.
- **Christopher J. Picotte, Managing Director.** Before joining ArcLight, Christopher was Vice President at Berenson Minella & Company. Before that, he was in the Merrill Lynch M&A group and the Corporate Finance Group at Schroeders. Christopher received a B.A. in Physics from Harvard University.
- **Mark A. Tarini, Managing Director.** Before joining ArcLight, Mark was CFO of EP Power Finance and EIF Group. Prior to that, he was VP of Finance at Legeis Resources and a Manager of the Utility and Real Estate practices at Arthur Andersen. Mark Received a B.S. in Accounting from Boston College.

Analysis:

- **ArcLight has a differentiated strategy that has enabled it to find attractive investment opportunities in a variety of markets.** ArcLight concentrates on investments in hard assets and asset-based entities with high current income. This enables the Firm to structure downside protection in its deals, obtain greater visibility of investment performance and explore multiple exit alternatives.
- **The Firm has a strong team of experienced energy industry professionals.** ArcLight has an experienced management team led by Dan Revers and Robb Turner. Along with the other investment professionals, the ArcLight team collectively has over 150 years of energy industry, finance and private equity experience.
- **ArcLight has generated top quartile returns in its two previous funds.** Although ArcLight is a relatively young firm, they have demonstrated the ability to generate outstanding returns for investors.

Litigation:

ArcLight has indicated there is no current, threatened, or pending litigation against ArcLight, the Principals, or any affiliated entity.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from LP Capital Advisors.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

Aisling Capital II, LP

Action:

Commit \$80 million to Aisling Capital II, LP (the “Fund”)

Background:

Aisling Capital, LLC (The “Firm” or “Aisling”) is raising its first independent fund to invest in mid to late stage venture capital and growth capital investments in life science companies developing biopharmaceutical products and creating businesses based on advanced life science technologies. The Firm is a spin off from Perseus-Soros Management, LLC. Aisling will invest between \$15 and \$25 million per company and expects to build a portfolio of 20 to 30 companies. The Aisling professionals will take an active role in companies through board representation in order to exert significant influence and value creation. The Firm will take both a top-down and bottom-up approaches to sourcing proprietary deal flow.

The Fund closed in December 2005 on a \$550 million fund.

Key Principals:

- **Dennis Purcell, Senior Managing Director.** Prior to establishing Aisling, Mr. Purcell served as Managing Director of the Life Sciences Investment Banking Group at Chase Hambrecht & Quist (“H&Q”) for over five years, and served on the Executive Committee of H&Q. While at H&Q, he was directly involved with over two hundred completed transactions and supervised over \$10 billion of financing and advisory assignments in the pharmaceutical, biotechnology, and medical products industries. He received an M.B.A. from Harvard University and a bachelor’s degree in Economics and Accounting from the University of Delaware.
- **Steve Elms, Managing Director.** Before joining the Firm, he was a Principal in the Life Sciences Investment Banking Group of H&Q where he was involved in over 60 financing and M&A transactions, helping clients raise in excess of \$3.3 billion in capital. Prior to H&Q, Mr. Elms worked at Donaldson, Lufkin & Jenrette, Marion Laboratories and the Wilkerson Group. Mr. Elms received an M.B.A. from the Kellogg School of Management at Northwestern University and a B.A. in human biology from Stanford University.

- **Andrew Schiff, Managing Director.** Before joining the Firm, Dr. Schiff practiced internal medicine at The New York Presbyterian Hospital where he maintains his position as a Clinical Assistant Professor of Medicine. Dr. Schiff received his M.D. from Cornell University Medical College and his M.B.A. from Columbia University. His bachelor's degree in neuroscience was awarded with honors from Brown University.

Analysis:

- **The Fund's investment professionals have an established track record of success.** Aisling's first fund has generated attractive investment returns when compared to its biotechnology peers. The team has demonstrated an ability to construct a portfolio of early and late stage successful biotechnology companies. Aisling's experience and track record will benefit the Fund.
- **Aisling has a strong reputation within the life science market, which will help attract investment opportunities for the Fund.** Over the past 9 years, the Firm has demonstrated the ability to source proprietary investment opportunities through its network of entrepreneurs and executives in the Fund's target markets.

Litigation:

According to Aisling, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Hamilton Lane.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

Francisco Partners II, LP

Action:

Commit \$175 million to Francisco Partners II, LP (the “Fund”)

Background:

Formed in 1999, Francisco Partners (“Francisco” or the “Firm”) is forming its second private equity fund to invest in technology companies, both domestically and internationally, using various transaction structures. Specifically, the Fund will attempt to make “complexity arbitrage” investments in technology companies experiencing strategic and operational changes. The Firm operates out of its offices in Menlo Park and London and employs over 34 investment professionals.

The Fund targets a final fund size of \$2 billion in commitments.

Key Principals:

- **David Stanton, Co-Founder and Managing Partner.** Prior to founding Francisco Partners, Mr. Stanton led the technology investing activities of Texas Pacific Group, a private equity fund, from 1994 until August 1999. Prior to joining Texas Pacific Group, he was a venture capitalist with Trinity Ventures, which specializes in investments in information technology, software and telecommunications companies. Earlier in his career, Mr. Stanton was a strategy consultant with Bain & Company. Mr. Stanton holds a B.S. degree in Chemical Engineering from Stanford University and an M.B.A. degree from the Stanford Graduate School of Business.
- **Dipanjan Deb, Co-Founder and Managing Partner.** Prior to founding Francisco Partners, Mr. Deb was a principal with Texas Pacific Group. Earlier in his career, Mr. Deb was director of semiconductor banking at Robertson Stephens & Company and a management consultant at McKinsey & Company. Mr. Deb holds a B.S. degree in Electrical Engineering and Computer Science from U.C. Berkeley, where he was a Regents Scholar, and an M.B.A. degree from the Stanford Graduate School of Business.

- **Benjamin Ball, Co-Founder and Partner.** Prior to founding Francisco Partners, Mr. Ball was a Vice President with TA Associates where he led private equity investments in the software, semiconductor, and communication segments. Previously, he worked for Genstar Capital LLC, a middle-market buyout firm, where he focused on investments in the semiconductor, capital equipment, and communication industries. Earlier in his career, Mr. Ball worked for AEA Investors, a New York-based private equity firm, and also for the consulting firm of Bain & Company. Mr. Ball holds an A.B. degree from Harvard College and an M.B.A. degree from the Stanford Graduate School of Business.
- **Neil Garfinkel, Co-Founder and Partner.** Prior to founding Francisco Partners, Mr. Garfinkel was a Managing Director of Friedman Fleischer & Lowe, where he co-led the firm's information technology investing. Previously, Mr. Garfinkel was a Vice President with Summit Partners, where he was responsible for private equity transactions in the software and IT services sectors. Earlier in his career, Mr. Garfinkel was an attorney. Mr. Garfinkel holds an A.B. from Harvard College and a J.D. from Columbia Law School.
- **Sanford Robertson, Co-Founder and Partner.** Prior to founding Francisco Partners, Mr. Robertson was the Founder and Chairman of Robertson, Stephens & Company, a leading technology investment bank which was formed in 1978 and sold to BankAmerica in 1998. Since that sale, he has been an active technology investor and advisor to several technology companies. Mr. Robertson was also the Founder of Robertson, Coleman, Siebel & Weisel, later renamed Montgomery Securities, another prominent technology investment bank. Mr. Robertson holds a B.A. degree and an M.B.A. degree with Distinction from the University of Michigan.
- **Keith Geeslin, Partner.** Prior to joining Francisco Partners in 2004, Mr. Geeslin spent 19 years with the Sprout Group. Mr. Geeslin joined Sprout in 1984, became a General Partner in 1988, and became Sprout's Managing Partner in 2000. Earlier in his career, he was the general manager of a division of Tymshare, Inc. Mr. Geeslin holds a B.S. degree in Electrical Engineering from Stanford University, an M.S. degree in Engineering and Economic Systems from Stanford University and an M.S. degree from Oxford University (UK) in Politics, Philosophy and Economics.

Analysis:

- **The Firm has one of the industry's most experienced investment teams in technology investing.** Francisco's 11 Partners and Principals have a combined 110 years of total technology investment experience. The financial and investment skills of the team are augmented by the operating skills of Francisco's operating partners, former technology CEOs and CFOs who are available as interim executives of portfolio companies. Francisco has established a reputation as a knowledgeable technology-focused buyout firm.
- **The Fund has a unique and differentiated investment strategy.** The Fund will continue to invest in technology companies experiencing strategic and operational change, or what the General Partner refers to as "inflection points." The General Partner believes that its investment platform will be able to create and realize value in these portfolio companies.
- **Francisco's relationship with Sequoia Capital provides unparalleled deal flow opportunities in technology companies.** Similar to its first fund, Francisco has a long-standing relationship with Sequoia Capital, one of the most revered venture capital firms in Silicon Valley. Sequoia has supported the Firm by serving as a source of investment opportunities and deal generation on opportunities that fall outside the scope of Sequoia's venture capital strategy.

Litigation:

According to Francisco, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Pacific Corporate Group.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

KKR European Fund II, LP

Action:

Commit €150 million to KKR European Fund II, LP (the “Fund”)

Background:

Founded in 1976, Kohlberg Kravis Roberts & Co. (“KKR” or the “Firm”) is one of the premier names in the global private equity arena and one of the world’s oldest and most experienced private equity firms. KKR has raised its second European private equity fund to pursue a generalist strategy, seeking to invest in a portfolio of companies, diversified by risk and geography. The Firm will generally make equity investments of \$150 million to \$600 million in each European portfolio company, with an average size of \$300 to \$400 million. As with its prior European and domestic funds, KKR will continue to focus on long-term value creation through traditional buyouts and leveraged build-ups of companies with quality franchises and high caliber management. The Firm operates out of its offices in Menlo Park, Hong Kong, Paris, New York, and London and employs over 60 professionals across those locations.

The Fund has closed on €4.5 billion of commitments.

Key Principals:

- **Henry R. Kravis, Founding Member.** Prior to founding KKR, Mr. Kravis was a Partner in the Corporate Finance Department of Bear Stearns & Company, where with Messrs. Kohlberg and Roberts, he pioneered the use of leverage in acquisitions. Mr. Kravis has been actively involved in buyout activities for more than 35 years. Mr. Kravis received his BA degree at Claremont McKenna College and his MBA degree from the Columbia Graduate School of Business.
- **George R. Roberts, Founding Member.** Prior to founding KKR, Mr. Roberts was a Partner in the Corporate Finance Department of Bear Stearns & Company, where with Messrs. Kohlberg and Roberts, he pioneered the use of leverage in acquisitions. Mr. Roberts has been actively involved in buyout activities for more than 35 years. Mr. Roberts received his BA degree at Claremont McKenna College and his JD degree from the University of California (Hastings) Law School.

- **Johannes P. Huth, Member.** Prior to joining KKR in 1999, Johannes Huth was a Member of the Management Committee of Investcorp and jointly responsible for Investcorp's operations in Europe. While at Investcorp, he was responsible for developing several of Investcorp's corporate investments in Europe. From 1986 to 1991, he worked at Salomon Brothers, where he was a Vice President in the Mergers and Acquisitions departments in London and New York. Mr. Huth received his undergraduate degree from the London School of Economics and his MBA from the University of Chicago.
- **Todd A. Fisher, Member.** Prior to joining KKR in 1993, Mr. Fisher was with Goldman, Sachs & Co. in its Corporate Finance Department, where he was primarily involved in Latin American transactions. From 1987 to 1989, he worked for Drexel Burnham Lambert where he was involved in a broad range of corporate financings and merger and acquisition work. Mr. Fisher received his undergraduate degree from Brown University, his MA degree from Johns Hopkins University, and his MBA degree from The Wharton School.

Analysis:

- **KKR's longevity, past success, and access to capital has given it a strong reputation in the private equity market.** This reputation is likely to result in access to deal flow through referrals. In addition, this favorable reputation may improve the Firm's marketability to sellers seeking to partner with a top class financial sponsor.
- **Formed in 1976, KKR is a global investment organization that has worked together over a period that spans several economic, stock market and private equity market cycles.** The Members of KKR have an average of 16 years working for the Firm. The Firm has built an extensive worldwide network of people, relationships, and investors. The Fund will be able to leverage the KKR network for the benefit of deal sourcing and creation, exit opportunities, co-investment opportunities, and to access significant human capital resources. In addition, KKR has invested more than \$19 billion of equity capital in over 115 transactions since 1976, of which \$5.1 billion was invested in Europe.
- **The Firm has executed on a consistent, long-term investment strategy that has generated upper-quartile performance in Europe.** KKR has demonstrated the ability to efficiently deploy large amounts of capital and produce successful realizations, which total \$4.2 billion on all European investments since 1996. Relative to KKR's peer group in the European large corporate finance sector, KKR has achieved upper quartile returns in its previous European fund.

Litigation:

According to KKR, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Pacific Corporate Group.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

TPG Biotechnology Partners II, LP

Action:

Commit \$70 million to TPG Biotechnology Partners II, LP (the “Fund”)

Background:

Texas Pacific Group Ventures, LLC (The “Firm” or “TPG Ventures”) is raising its second biotechnology-focused fund, TPG Biotechnology Partners II, LP. The Fund seeks to invest in drug discovery and development, personalized medicine and allied pharmaceutical service companies. The Fund will invest approximately \$20 million per company throughout the company’s life cycle and product development. TPG Ventures established its first biotechnology fund in 2001 and is a part of the broader Texas Pacific Group platform.

The Fund had a first closing in December 2005 and is targeting a final fund size of \$400 million.

Key Principals:

- **Fred Cohen, Founder and Managing Director.** Dr. Cohen joined TPG Ventures in 2001. In addition to being a part of TPG Ventures, Dr. Cohen is a Professor of Medicine, Cellular and Molecular Pharmacology, Biochemistry and Biophysics and Pharmaceutical Chemistry at the University of California, San Francisco. Dr. Cohen received his M.D. degree from Stanford University, a Doctorate in Philosophy from Oxford University and a bachelor degree from Yale University.
- **Geoffrey Duyk, Managing Director.** Before joining the Firm in 2004, Dr. Duyk was a physician, academic scientist and senior biotechnology executive. He was a Howard Hughes Medical Institute (HHMI) Investigator at Harvard Medical School and apart of the founding Scientific Staff at millennium, a member of the Counsel National Human Genome Research Institute, NIH. Dr. Duyk was President and Chief Science Officer, Exelixis, an integrated drug discovery and development company. Prior to Exelixis, he was Senior Vice President of Genomics, Millennium Pharmaceutical. Dr. Duyk earned his M.D. and PhD from Case Western and his bachelors Wesleyan College.

- **Bill McGlashan, Managing Director.** Before joining the Firm in 2004, he was President of Pharmanex. Prior to Pharmanex, he was Chairman and CEO of Critical Path. Before Critical path, he was CEO of Vectis Group. Mr. McGlashan also worked as an investment banker for Whitney & Co. and as a consultant with Bain & Co. Mr. McGlashan earned his M.B.A from the Stanford Graduate School of Business and his bachelors from Yale University.

Analysis:

- **The Fund will benefit from the reputations and networks of the Firm's investment professionals.** Many of the investment professionals have developed extensive networks in the biotechnology industry through their various research and professional activities. These contacts help the team conduct thorough due diligence and source attractive investment opportunities.
- **TPG Ventures is raising one of the only biotechnology focused funds that are affiliated with a global private equity platform.** Texas Pacific Group ("TPG") is one of the preeminent private equity organizations, with more than \$25 billion in assets under management. Its established reputation, infrastructure, and global presence should provide the Fund with a differentiated deal flow through its ability to leverage TPG's network.
- **The Firm's investment professionals have deep scientific and investment expertise.** There is a balance of scientists, doctors and operators on the investment team. The investment professionals have more than 50 years of combined experience in molecular and cellular biology and in pharmaceutical sciences. The strong scientific expertise is complemented by the operational experience of professionals like Mr. McGlashen.

Litigation:

According to TPG Ventures, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Pacific Corporate Group.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

TowerBrook Investors II, LP

Action:

Commit \$200 million to TowerBrook Investors II, LP (the “Fund”)

Background:

TowerBrook Capital Partners, LP (The “Firm” or “TCP”) is raising its second fund, Towerbrook Investors II, LP to invest in U.S. and Western European middle market companies where the Firm can partner with experience managers in order to drive growth and effect change in the company. The Fund will target investments in special situations transactions where the Firm can take a control ownership stake. In March 2005, Soros Fund Management (“Soros”) spun off Soros Private Equity Partners (“SPEP”), which became TowerBrook Capital Partners.

The Fund had a close in November 2005 and expects to have a final close in the first quarter of 2006.

Key Principals:

- **Neal Moszkowski, Co-CEO.** Prior to establishing TCP, Mr. Moszkowski served as the co-head of SPEP and as a member of Soros’ management committee from 1998 until the firm’s spinout in 2005. In addition, he served, and will continue to serve, on the investment committee of the Perseus-Soros BioPharmaceutical Fund, LP Prior to joining SPEP in 1998, Mr. Moszkowski worked in the Principal Investment Area of Goldman Sachs in New York and London. Mr. Moszkowski received an MBA from the Stanford Graduate School of Business and a bachelor’s degree from Amherst College.
- **Ramez Sousou, Co-CEO.** Before forming the Firm, Mr. Sousou served as the co-head of SPEP and as a member of Soros’ management committee from 1999 until the firm’s spinout in 2005. Prior to joining SPEP in 1999, Mr. Sousou worked in the Principal Investment Area of Goldman Sachs in New York and London. He received an MBA from Harvard Business School and a bachelor’s degree from Harvard College.

- **Patrick Smulders, Senior Venture Partner.** Mr. Smulders served as an investment committee member of SPEP from 2004 until the firm's spinout from Soros in 2005. Prior to joining SPEP, he was a founding partner and managing director at Doughty Hanson from 1993 to 2003. Mr. Smulders received an MBA from Harvard Business School and a bachelor's degree from Harvard College.

Analysis:

- **Towerbrook is led by a large, cohesive team of senior investment professionals with significant private equity investing experience.** The senior professionals have over twenty professionals in two offices. Overall, the professionals have an average of eight years of private equity investing experience, in addition to consulting, investing banking, and other related experience.
- **The Fund will execute on a bi-continental investment strategy.** The Fund will leverage the Firm's infrastructure to successfully invest in companies in both the United States and European countries. Towerbrook is one of a few middle market private equity firms with the capability to invest in both geographies.
- **The Firm had demonstrated strong financial performance in its first fund.** Although Towerbrook is an emerging team, they have demonstrated an ability to deploy capital effectively and generate top quartile returns.

Litigation:

According to TCP, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Hamilton Lane.

INTERNAL PROGRAMS		
Risk Managed Absolute Return Strategies (RMARS) Program		
Summary of Investments Completed Under Delegated Authority		
Item	Name of Investment	Initial Contribution
Attachment 1	SPARX Blue Diamond Fund, L.P.	\$75 million

**Risk Managed Absolute Return Strategies (RMARS) Program
Executive Summary of Action Taken
Under Delegation of Authority**

SPARX Blue Diamond Fund, L.P.

Action:

Initial contribution of \$75 million to SPARX Blue Diamond Fund, L.P. (the "Fund") on February 1, 2006.

Background:

Based in Tokyo, SPARX Asset Management Co., Ltd. ("SPARX") was established in 1989 to provide investment advisory solutions to a primarily Japanese client base. Over the last seventeen years, SPARX's client base and expertise have grown significantly, and as of January 2006 SPARX managed 1.47 trillion yen (about \$12.5 billion) in a variety of strategies, including mid-cap and small-cap, long/short, and "value creation." Of this figure, 51.3 billion yen (about \$440 million) was in funds of hedge funds, with the bulk of these assets invested in Asian hedge funds. As of February 24, 2006, SPARX, which is publicly traded in Japan on the "JASDAQ" market exchange, had a market cap of approximately 277 billion yen (about \$2.4 billion).

Key Principals:

- **Theodore F. Lee, CFA, Portfolio Manager.** Mr. Lee's responsibilities include manager research and selection and portfolio construction for SPARX's Asia Pacific and Global funds of funds portfolios. Prior to joining SPARX in January 2002, he worked at Legacy Advisors, a Hong Kong-based family office, where his responsibilities included oversight of security portfolio holdings, which had a significant allocation to hedge funds in the US and Asia (including Japan). During his 9 years in Asia, he also worked with Philips Electronics where he was involved in setting up their Regional Finance Center in Asia. Mr. Lee graduated from New York University's Stern School of Business, earning a BS, and is a US Certified Public Accountant as well as a holder of the CFA designation.
- **John Inamine, Senior Vice President, Risk Management.** Mr. Inamine oversees risk management for the Global Investment Strategies group. Prior to joining SPARX in June 2000, he ran convertible bond trading for Deutsche Securities / Natwest Securities in Tokyo since 1997 and also assumed the

head of the convertible sales desk in 1999. He has been involved in trading since 1989 with O'Connor and Associates in Chicago, which was subsequently taken over by Swiss Bank Corporation (now part of UBS). While with Swiss Bank, he was transferred to Tokyo in 1991 as a futures and options trader and in 1994 took over management of the bank's Japanese convertible bond trading book. He holds a MBA from the University of California, Berkeley, and a BS in economics from the Wharton School at the University of Pennsylvania. Before business school, he worked for the New York office of Arthur Young and Company (now Ernst & Young) as an auditor.

Analysis:

- **The Firm is a “known quantity” to CalPERS and has established its bona fides as a world-class investment company.** The CalPERS corporate governance unit has worked with SPARX through a “value creation” active corporate governance fund in Japan since February 2003 and has experienced strong returns from that investment. Staff expects the SPARX Blue Diamond Fund to be a positive extension of the relationship between the two entities.
- **The Firm has a deep developed network within Asia.** SPARX is one of the largest “pure-play” asset management companies in Asia. It has built a large professional network throughout the industry and earned a high level of respect among Asian investors and investment managers. It has been managing Asian-oriented funds of hedge funds for nine years, which is a significant period of time given the fairly nascent nature of the Asian hedge fund industry. Given the depth of its network, SPARX has access to top-quality managers which have subsequently closed their funds to new investors.
- **The Fund has produced an attractive track record.** SPARX's flagship Asia Pacific fund of hedge funds has produced returns of roughly 10% (annualized since inception) with annual volatility of 5%, which is significantly lower volatility than, and with fairly low correlation to, the relevant region-wide equity market index (MSCI AC Asia Pacific Index).

Litigation:

According to SPARX, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation Nos. 89-13 and 95-50.

Due Diligence Report:

Staff has conducted Due Diligence on this transaction with assistance from the Petra Group.